



State of Delaware  
Office of Auditor of Accounts  
**At a Glance**

TM ID - FC2007-008

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*Working Hard to Protect YOUR Tax Dollars*

### **Why We Did This Review**

Financial statement audits of Academy of Dover's finances have been completed since the School opened in September 2003. In the past, the Delaware Division of Accounting (DOA) required financial statement audits for charter schools; however, DOA discontinued the audit requirement beginning in FY06. Academy of Dover, along with the other 12 charter schools in the State, chose to continue their financial statement audit for FY06.

### **Background**

Academy of Dover encompasses grades Kindergarten through 6. The School is authorized to enroll 525 students. Actual enrollment was as follows: 425 in FY05, 386 in FY06, and 283 in FY07.

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### **To view the full report, access the following link:**

<http://www.state.de.us/auditor/Audits/FY2006/Financial%20and%20Compliance/KVW073382.pdf>

## **Academy of Dover Charter School Audited Financial Statements for FY 2006**

### **What We Found**

During the audit, the Office of Auditor of Accounts (AOA) determined the following: (1) the School under-reported approximately \$83,000 in accrued payroll; (2) the School Under-reported accounts payable by \$17,332; (3) the School did not consistently code expenditures within and between fiscal years; (4) the School lost approximately \$28,000 in State funds that were reverted back to the State because the funds were not spent within the period of availability; (5) the School lost approximately \$12,000 in federal funds that were incorrectly coded in the Delaware Financial Management System (DFMS), rendering these funds unavailable; (6) the School did not collect approximately \$24,000 in local funds that it was entitled to because collection efforts were minimal to non-existent; (7) the School lost approximately \$8,000 in cafeteria reimbursements for students who receive free and reduced lunches because the forms to collect these funds were not submitted within the required timeframes; and (8) the School did not maintain support for several transactions, which totaled \$89,339. These issues resulted in a material weakness finding. Upon notification of these errors by AOA, the School corrected the errors related to under-reporting of accrued payroll and accounts payable.

During the FY05 financial statement audit, there were 12 findings. The School indicated they would take action to correct the issues identified in the findings. Per AOA's review during FY06, the School had resolved only 3 of these findings. The School had taken little to no action to correct the issues in the other 9 findings.

The issues discovered during both the School's FY05 and FY06 financial statement audits resulted in uncertainties about the School's financial viability.

The School's management has not demonstrated a sufficient knowledge of internal control and generally accepted accounting principles (GAAP). Management's lack of effort to correct prior year errors and deficiencies and their lack of knowledge is indicative of a weak control environment and has resulted in lost revenue, improper and inconsistent financial reporting, and lack of support for financial transactions.

### **What We Recommend**

AOA recommends that the School obtain training for the State's financial system, State rules and regulations, internal controls, and GAAP for the Board, management, and others tasked with financial responsibility. If the School tasks a designee with a function of financial reporting, the responsibility remains with the School's management to understand and provide oversight of the tasks and functions.

The School should implement a sufficient internal control structure, incorporating the five components identified by the Committee of Sponsoring Organizations of the Treadway Commission report entitled *Internal Control – Integrated Framework* (COSO).